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LaKisha Perry-Green (lakishapg@gmail.com) is the University Compliance Officer for North Carolina Central University in Durham, North Carolina, USA.

Leveraging metrics: Keeping performance interesting (KPIs)

By LaKisha Perry-Green, BA, MPA, MBA

Key performance indicators (KPIs) are a quantifiable measure of performance over time for a specific objective. KPIs gauge a company's output against a set of targets, objectives, or industry peers.

- KPIs provide a target for teams to shoot for or accomplish.
- KPIs can be milestones to gauge progress.
- KPIs give insights that help people across an organization make better decisions.
- KPIs track progress toward a specific goal or objective.

Also referred to as key success indicators, KPIs vary between companies and industries, depending on performance criteria. At the heart of KPIs lies data collection, storage, cleaning, and synthesizing. The information may be financial or nonfinancial and may relate to any department across the company. The goal of KPIs is to communicate results succinctly to allow management to make more informed strategic decisions.

Here are some questions to consider:

- How do we keep performance interesting?
- How do we keep people informed?
- How do we keep people involved?
- How do we keep people inspired?
- How do we keep people interested?

Often, seeking the answer to these questions leaves employees and those new to the KPI process more confused than interested. So, start by answering the basic questions about what and why this is important.

In the article "Key performance indicators: What to Measure & Why," Michael Salonish and Swati Allen explain that because of the role that KPIs play in the trajectory of an organization, it is important to choose the right ones. Choosing the right KPIs to measure performance improvement requires a good understanding of what is vital to the organization.[1]

If your staff doesn't know the strategic plan for the organization, many will not buy into KPIs. If they don't see how KPIs affect them, they may become uninterested in the process.

Performance, indicators, metrics . . . Oh my!

Winnie-the-Pooh and his friends can help you understand your audience (employees, leadership) and how they view the process of establishing and implementing KPIs.

Each character in the series had an interesting way they approached responsibility. Responsibility and accountability are necessary elements to ensure KPIs are successful.

Let’s look at a few characters and make performance and metrics interesting.

Keep in mind which characters you see as helpful for each KPI category: strategic KPIs, operational KPIs, function KPIs, or leading/lagging KPIs.

- **Strategic KPIs** are usually the highest level. These types of KPIs may indicate how a company is doing, although they don’t provide much information beyond a very high-level snapshot. Executives are most likely to use strategic KPIs, and examples of strategic KPIs include return on investment, profit margin, and total company revenue.
- **Operational KPIs** are focused on a much tighter time frame. These KPIs measure how a company is doing month over month (or even day over day) by analyzing different processes, segments, or geographical locations. These operational KPIs are often used by managing staff and to analyze questions derived from analyzing strategic KPIs.
- **Functional KPIs** hone in on specific departments or functions within a company. For example, the finance department may keep track of how many new vendors they register within their accounting information system each month, while the marketing department measures how many clicks each email distribution receives.
- **Leading/lagging KPIs** describe the nature of the data being analyzed and whether it signals something to come or has already occurred. Consider two different KPIs: the number of overtime hours worked and the profit margin for a flagship product.